

Message Text

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TAGS: ECON, OECD, FR

SUBJECT: OECD ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE
(EDRC) REVIEW OF FRANCE

REF: OECD PARIS 819

1. CONCUR WITH LINE OF QUESTIONING WHICH MISSION INTENDS
TO TAKE AS OUTLINED IN PARA 10, REFTEL. MISSION REQUESTED
TO MAKE SUPPLEMENTAL POINTS AS RELATED BELOW.

2. IN ADDITION TO QUESTIONING CONCERNING FRENCH AND SECRE-
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TARIAT CONTENTION THAT UNIT LABOR COSTS FELL IN 1976 (PARA
3) MISSION SHOULD POINT OUT THAT, ACCORDING TO US DEPT OF
LABOR FIGURES, UNIT LABOR COSTS BETWEEN 1974 AND 1975 ROSE
23.3 PERCENT. THEREFORE, GIVEN 5 TO 6 PERCENT INCREASE IN
REAL WAGES IN 1976, UNIT COST DECLINE APPEARS ODD. ALSO
IN PARA 3 REFTEL IS STATEMENT THAT QTE FINANCIAL POSITION
OF FIRMS IMPROVED MARKEDLY UNQTE. GIVEN OVERALL ECONOMIC

SITUATION, WE WOULD QUESTION THAT, POINTING, INTER ALIA, TO FACT THAT LATEST AVAILABLE BANKRUPTCY FIGURES (OCTOBER) SHOW 300 INCREASE OVER PREVIOUS MONTH (1,300 FROM 1000).

3. PARA 5, MENTION IS MADE OF EFFECT OF CYCLICAL TAX IN FIRMS. WE QUESTION WHETHER CYCLICAL TAX WILL HAVE

SIGNIFICANT MODERATING INFLUENCE ON PRICES, SINCE, BECAUSE OF THE WAY IT HAS BEEN ESTABLISHED, NO PAYMENTS WOULD BE LEVIED BEFORE THE SECOND QUARTER.

4. REFERENCE IS MADE TO DETERIORATION IN FRENCH TERMS OF TRADE DURING 1976. US TRADE-WEIGHTED PRICE-ADJUSTED FIGURES DO NOT CONFIRM THIS, RELATIVE TO WORLD AND SIX MAJOR EUROPEAN COUNTRIES. WOULD LIKE TO KNOW, THEREFORE, BASIS FOR THIS STATEMENT.

5. SECRETARIAT, AS WELL AS GOF, ARE ASSUMING THAT LIMIT ON CRUDE OIL IMPORTS WILL BE MAINTAINED. IS THIS REALISTIC? (FYI - WE UNDERSTAND THAT FRANCE EXCEEDED 1976 CEILING AND PROJECTIONS FOR 1977, PLUS RECENT PRICE INCREASES, WOULD TEND TO INDICATE THAT 1977 CEILING WILL ALSO BE EXCEEDED - END FYI).

6. WHAT IS THE BASIS FOR SECRETARIAT'S PROJECTED DECLINE IN PRIVATE INVESTMENT IN SECOND HALF OF 1977? (FYI - WE ASSUME THIS MAY HAVE SOME RELATION TO POLITICAL UNCERTAINTIES PRECEDING 1978 ELECTIONS - END FYI).

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7. WHAT IS THE BASIS FOR SECRETARIAT'S VIEW THAT GOF WILL CONTINUE POLICY OF ALLOWING A RELATIVELY FREE FLOAT OF FRANC EXCHANGE RATE? THIS WOULD APPEAR TO CONTRADICT FRENCH OFFICIAL STATEMENTS ON THE IMPORTANCE OF KEEPING THE FRANC STABLE - MORE GENERALLY, IT WOULD BE HELPFUL TO OBTAIN CLARIFICATION OF HOW SECRETARIAT DEFINES A QTE NEUTRAL UNQTE IMPACT ON MONEY SUPPLY (PARA 8, REFTEL) AND HOW FRENCH PERCEIVE PROCESS OF HITTING MONEY SUPPLY TARGETS I.E., ARE FRENCH INSTRUMENTS OF MONETARY CONTROL WELL-ADAPTED TO THIS PURPOSE?

8. GIVEN REVISIONS IN THE PROFESSIONAL TAX AND POSSIBILITY OF INVESTMENT PROGRAM IN SECOND HALF OF 1977, IT IS LIKELY FRANCE WILL ENCOUNTER BUDGET DEFICIT. SHOULD WE ASSUME ALL GOVERNMENTAL BORROWING WILL BE FINANCED THROUGH PUBLIC BORROWINGS? WHAT ABOUT EFFECTS OF GOVERNMENT-SUPPORTED FOREIGN BORROWING BY NATIONALIZED INDUSTRIES?

9. CAN SECRETARIAT CLARIFY ON GOF COMMENT UNDER WHAT

CIRCUMSTANCE, MAINTENANCE OF RESTRICTIVE DEMAND MANAGEMENT
POLICY WOULD CEASE TO BE QTE NECESSARY AND APPROPRIATE
UNQTE. IS AN EASING OF POLICY TO BE CONTINGENT ON
ACHIEVING SPECIFIED TARGETS FOR INFLATION AND CURRENT AC-
COUNT BALANCE? IF SO, WHAT WOULD CONSTITUTE ATTAINMENT
OF THOSE TARGETS?
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Message Attributes

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